

ATTACHMENT #2

THE PERSONAL REEMPLOYMENT ACCOUNTS (PRAS) DEMONSTRATION

This year the Employment and Training Administration is providing up to nine states with an opportunity to conduct an early test of the Administration's proposed FY 2005 Personal Reemployment Accounts initiative by participating in a PRA demonstration. ETA is encouraging states that are interested in being considered to submit a letter of commitment signed by the State Workforce Agency Administrator asking that their PY 2004 Reemployment Services funds be obligated to them as a special and separate demonstration grant in order to participate in the PRA demonstration. States have full discretion to decide whether to participate in the demonstration or to provide traditional Reemployment Services in other ways that fall within the RES guidelines provided in this document. Below is a general description of the option for implementing a Personal Reemployment Accounts demonstration and the components of a PRA demonstration plan that ETA anticipates it will require from states following the selection process.

The PRA Concept

PRAs are worker-managed accounts set at a specific dollar level through which certain eligible individuals may purchase job training as well as supportive services and products from One-Stop Career Centers and/or the marketplace at large. If employment is found within 13 weeks, the individual can keep a portion, in an amount set by the state, of the remaining account funds as a reemployment bonus. After a set period of retention on the job, the worker will be provided with the remaining portion of the bonus.

PRAs are meant to provide unemployed workers with more control over their access to training and services and to help them make a quick return to work. The goals of PRA demonstration grants are to provide greater choices for individuals and to improve their economic outcomes. States that submit a letter of commitment to ETA and are selected to demonstrate PRAs in 2004 will receive additional funds above the level of their RES allocation. The total amount of additional funds available will not exceed \$4 million. From this set-aside, the Department will provide an additional dollar for each dollar of RES funds used for the demonstration up to \$750,000 per state. To participate in the PRA demonstration, states must commit their full RES allotment. However, states have the choice of implementing the PRA demonstration throughout the entire state or in a targeted portion of the state. In addition, demonstration states will become part of a specialized peer learning group. The peer learning group will be convened for an orientation meeting shortly after the PRA demonstration plans are approved. Special demonstration support products, training and other activities will be spread throughout the year.

Operational Requirements for a PRA Demonstration State

In order to ensure comparability of demonstrations, all states selected to implement a PRA demonstration must meet the following:

State Requirements

- A. As in past years, a state operating a PRA demonstration will receive funds in the amount of its PY 2004 Reemployment Services formula allotment.
- B. From the funds received (allotment level plus additional demonstration dollars), states may use a reasonable level for administrative costs, which will be negotiated if necessary with the Department of Labor.
- C. Because the decision to accept a PRA lies with the individual, potential account holders must have a thorough knowledge of the benefits and risks associated with PRAs upon which to make a final decision. To that end, states operating a PRA demonstration will be expected to focus on the quality of this information provided to potential account holders.
- D. Since consumer choice under PRAs is relatively unfettered, users must have access to up-to-date, accurate and actionable labor market and career information upon which to make informed decisions. For this reason, states operating a PRA demonstration will be expected to pay particular attention to the quality of the information provided to account holders.
- E. Because the state's Unemployment Insurance profiling system will be central in the identification and referral of potential PRA recipients, any state submitting a plan to be a PRA demonstration must provide assurance that its profiling system has the quality and accuracy needed to carry out the PRA demonstration.
- F. The state must conduct oversight of the demonstration and conduct periodic transactional audits to assure proper usage of funds.
- G. Based on the research questions that DOL defines in Attachment #4 of this document, states that commit to and are selected for a demonstration grant must agree to gather and maintain (but do not have to report) the documentation and data elements necessary to allow such research questions to be answered. There will be no additional reporting requirements other than those customary for demonstration grants.

Participant Eligibility Requirements

- A. PRAs are to be a one-time benefit for individuals.
- B. Individuals who are currently receiving UI benefits and are determined through the state's profiling system to be most likely (relative to other claimants) to exhaust their benefits are eligible for a PRA. Eligibility for a PRA does not mean, however, that a state operating a demonstration program must offer such an individual a PRA. The state may establish other reasonable criteria that eligible individuals must meet in order to qualify for award of a PRA.
- C. Such profiled individuals determined eligible for and who are offered an account can continue to receive their regular Unemployment Insurance benefits.

- D. Within the limits of the funds available, states can also choose to identify as PRA eligible certain UI exhaustees who exhausted their UI benefits during calendar years 2004 and 2005.
- E. States that award PRA accounts to UI benefit exhaustees have the discretion to provide PRA-funded income support as long as the individual is engaged in intensive services and/or training leading to a job. Note: Current UI claimants are not eligible for PRA-funded income support.
- F. Account holders receiving unemployment insurance that do not become reemployed by their 13th UI compensable week will not be eligible for the bonus feature of the account. Account holders that have exhausted UI benefits will not be eligible for the bonus feature if they do not become reemployed by the 13th week from the date of establishment of their account. All account holders will, however, continue to be able to purchase (using their account resources for up to one year from the date the account was established) intensive, training and supportive services as defined under the Workforce Investment Act. Access to core services as defined under the Workforce Investment Act must continue to be available at no cost to the account holder.
- G. All account holders who receive a reemployment bonus (in part or full) can continue to access core services at no cost but will not be eligible to receive intensive, training and supportive services as defined by the Workforce Investment Act through a One-Stop Career Center for a period of one year after the account is established.

Account Requirements

- A. The ceiling for each PRA cannot go above \$3,000. States may choose to award smaller accounts but account levels must be consistent across the state.
- B. The life of the account will be one year from the date of establishment.
- C. Regardless of the account amount set by the state (while adhering to the \$3,000 ceiling), states will have the flexibility to test different levels of total reemployment bonus amounts.
- D. The bonus will be paid to an account holder in two installments: If the account holder becomes reemployed by his/her 13th UI compensable week (or for UI exhaustees, by the 13th week from the date their account was established), 60% of the total bonus amount identified by the state will be paid directly to the individual. The remaining 40% of the total will be paid directly to the individual after six months of job retention. Bonus payments represent income taxable to the participant.
- E. Once the reemployment bonus has been paid in its entirety, or the year of eligibility has expired, any balance remaining in the account will be withdrawn, the account closed and the balance of funds invested in new PRA accounts.
- F. States and One-Stop Career Centers must impose the financial safeguards necessary for use of federal funds on account management.

- G. Account holders must be oriented to account policies and procedures, their access, rights, responsibilities and liabilities at the time of award.
- H. Account holders must be provided access to all One-Stop Career Center core services.
- I. Account holders must be free to purchase WIA intensive, training and supportive services with account funds either through the One-Stop Career Center system, from providers outside the One-Stop system or through a strategy that combines services from both components. One-Stop Career Centers must honor participant choices in all cases other than those it deems egregious, wholly unreasonable and inappropriate. States may establish supportive service policies for participants in the PRA demonstration that allow the purchase of items considered necessary for reemployment.
- J. For those One-Stop Career Centers that choose the option to offer their own services for purchase from the account, it will be necessary to price those services. In its pricing of intensive, training and supportive services purchased by participants, a One-Stop Career Center may charge more than the actual cost of the service, but any profit in excess of that actual cost is to be considered program income and must be reinvested into the PRA demonstration as an allowable cost. A One-Stop Career Center may not price its services below the actual cost of the service.

Anticipated Demonstration Plan Components

Following the selection process that is described in Section 10 of this TEGL, demonstration states will be informed officially of how to proceed regarding the development and submittal of a PRA demonstration plan. Please refer to the set of *Personal Reemployment Accounts Demonstration Readiness Indicators* in Attachment #3 to this guidance. It is provided as a suggested checklist that may assist states as they prepare for the demonstration and describe their preparedness as part of the PRA plan. States may have already undertaken or completed many of the activities in the list as part of their ongoing improvements, streamlining and progression towards becoming more demand-driven. Below is a list of some of the types of information ETA anticipates will be necessary for inclusion in an approvable PRA demonstration plan.

- A transmittal letter from the authorized signatory.
- An SF-424 (Revised 9/2003) Application for Federal Assistance including, but not limited to, the proposed plan period, the amount of PY 2004 fund allotment requested, and the newly required organizational Dun and Bradstreet Numbering Systems (DUNS) number. This number should be available from state fiscal/accounting units. A copy of the current SF-424 form may be obtained from the ETA Web site, Grants and Contracts section, at <http://wdsc.doleta.gov/sga/forms/form424.pdf>.
- A Statement of Work that describes the state's PRA demonstration design including:
 - o Identification of the local areas and number of One-Stop Career Centers that will participate and how they were selected.

- o How and when the funds will be distributed.
 - o Who will be eligible for selection to receive a PRA.
 - o The maximum amount of the Personal Reemployment Accounts (this amount must be the same statewide and not exceed \$3,000).
 - o The total maximum bonus amount available as determined by the state.
 - o An assurance that quality labor market and career information will be provided at no cost to the account holder together with a description of the nature, content and process for providing such information.
 - o A description, should One-Stop Career Centers choose to offer their own services for purchase from an account, of how One-Stop Center services have been or will be priced.
 - o If applicable, a statement that income support will be paid to UI exhaustees who are account holders.
 - o A description of the action the state will take to update its profiling system as may be necessary.
 - o A description of the financial safeguards the state and local sites will implement to manage and ensure the integrity of the federal funds.
 - o A description of the system by which the state will oversee the demonstration and conduct periodic transactional audits to assure proper usage of funds.
 - o A description of how the state intends to document its activities in order to answer the outcome and implementation questions.
- An Implementation Schedule with tasks and milestones of achievement, showing service provision through PRAs to participants beginning no later than 60 days after the state receives its grant.
 - An SF-424 line item budget that reflects the RES allotment level plus the additional Department of Labor funds provided for the demonstration.
 - An Administrative Plan that describes how account holders, their purchase payments and bonus pay-outs will be tracked and managed and what mechanisms will be used to protect against fraudulent activity.
 - Assurances that the state will sufficiently document PRA demonstration activities (in accordance with the questions in Attachment #4 of this guidance) to be able to participate in a PRA implementation study.

PRA Demonstration Implementation Study

The Department of Labor intends to conduct an implementation study of this 2004 PRA demonstration. States that are selected to demonstrate PRAs must agree to cooperate with the implementation study contractor to answer a series of research questions. Demonstration states will not have to report information related to the research questions to the Department, but must maintain it for a future evaluation. These research questions anticipate the larger scale Administration proposal to be implemented in 2005 and a longer-term impact evaluation. Research questions are listed in Attachment #4.